

# Client Advisory

April 9, 2009

## SEC Votes to Seek Comment on Five Alternative Short Sale Rule Proposals

On April 8, the Securities and Exchange Commission voted unanimously to seek public comment on whether short sale price restrictions or circuit breaker restrictions should be imposed and whether such measures would help promote market stability and restore investor confidence. Specifically, the SEC is seeking comment on five proposals.

Two of the proposals would entail market-wide permanent rules covering all NMS securities (i.e., generally exchange-traded securities).

- Modified Uptick Rule—A market-wide short sale price test based on the national best bid.
- Uptick Rule—A market-wide short sale price test based on the last sale price or tick.

Three of the proposals would entail a security-specific, temporary rule (“circuit breaker”) covering triggered NMS securities. While the SEC has asked for comments on the “trigger percent,” the proposal mentioned 10% as a starting point.

- Temporary Ban on Short Selling—Ban short selling in a particular security for the remainder of the day if there is a severe decline in price in that security.
- Temporary Modified Uptick Rule—Impose a short sale price test based on the national best bid in a particular security for the remainder of the day if there is a severe decline in price in that security.
- Temporary Uptick Rule—Impose a short sale price test based on the last sale price in a particular security for the remainder of the day if there is a severe decline in price in that security.

There will be a 60-day comment period to allow for comments on the proposals. In particular, the SEC asked for comments on possible exceptions to proposed rules. It should be noted that the initial proposals will not contain a market maker exception.

For additional information, please contact one of the Katten Muchin Rosenman LLP attorneys listed below:

Attorney	Direct Dial	Email
Janet M. Angstadt	312.902.5494	janet.angstadt@kattenlaw.com
Gary N. Distell	212.940.6490	gary.distell@kattenlaw.com
Daren R. Domina	212.940.6517	daren.domina@kattenlaw.com
Patricia L. Levy	312.902.5322	patricia.levy@kattenlaw.com
Ross Pazzol	312.902.5554	ross.pazzol@kattenlaw.com
James D. Van De Graaff	312.902.5227	james.vandegraaff@kattenlaw.com
Lance A. Zinman	312.902.5212	lance.zinman@kattenlaw.com

Published for clients as a source of information. The material contained herein is not to be construed as legal advice or opinion.

**CIRCULAR 230 DISCLOSURE:** Pursuant to regulations governing practice before the Internal Revenue Service, any tax advice contained herein is not intended or written to be used and cannot be used by a taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

©2009 Katten Muchin Rosenman LLP. All rights reserved.

# Katten

KattenMuchinRosenman LLP

[www.kattenlaw.com](http://www.kattenlaw.com)

CHARLOTTE

CHICAGO

IRVING

LONDON

LOS ANGELES

NEW YORK

PALO ALTO

WASHINGTON, DC

Katten Muchin Rosenman LLP is an Illinois limited liability partnership including professional corporations that has elected to be governed by the Illinois Uniform Partnership Act (1997).  
London affiliate: Katten Muchin Rosenman Cornish LLP.

04/09/09